



**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT**

December 31, 2013



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Golden Rule Industries of Muskogee, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Golden Rule Industries of Muskogee, Inc. (Golden Rule) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golden Rule as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In Accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2014, on our consideration of Golden Rule's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Golden Rule's internal control over financial reporting and compliance.



Clothier & Company CPA's
September 4, 2014

Golden Rule Industries of Muskogee, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

Current Assets:

Cash and cash equivalents	\$ 56,874
Accounts receivable, net	101,549
Prepaid expenses	8,429
Total Current Assets	<u>166,852</u>

Fixed Assets:

Land and building	2,208,434
Furniture and fixtures	289,082
Vehicles	127,037
Total Property and Equipment	<u>2,624,553</u>
Less: Accumulated Depreciation	<u>1,107,231</u>
Total Fixed Assets	<u>1,517,322</u>
 Total Assets	 <u><u>\$ 1,684,174</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 31,633
Accrued payroll liabilities	2,281
Accrued vacation	27,122
Accrued salaries and wages	29,050
Total Current Liabilities	<u>90,086</u>

Long Term Liabilities:

Notes Payable	0
Total Liabilities	<u>90,086</u>

Net Assets:

Permanently restricted	0
Temporarily restricted	0
Unrestricted	1,594,088
Net Assets	<u>1,594,088</u>

Total Liabilities and Net Assets	<u><u>\$ 1,684,174</u></u>
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See accompanying notes and independent auditors' report.

Golden Rule Industries of Muskogee, Inc.
Statement of Activities
December 31, 2013

SUPPORT AND REVENUE

Revenue:

Assembly contracts	\$ 33,626
Custodial contracts	449,198
Other income	163,025
Lawn care/landscaping	10,725
Interest income	705
Grant income	2,500
Retail store sales	594,170
Vocational contracts	359,735
Total Support	<u>1,613,684</u>

EXPENSES

Program services	1,462,702
Administrative Services	173,231
Depreciation	89,044
Total Expenses	<u>1,724,977</u>

Change in Permanently Restricted Net Assets	0
Changes in Restricted Net Assets	0
Changes in Unrestricted Net Assets	(111,293)
Net Assets, Beginning of Year	<u>1,705,381</u>
Net Asset, End of Year	<u><u>\$ 1,594,088</u></u>

See accompanying notes and independent auditors' report.

Golden Rule Industries of Muskogee, Inc.
Statement of Cash Flows
December 31, 2013

Cash Flows From Operating Activities:

Increase (Decrease) in Net Assets	\$ (111,293)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	89,044
Decrease/(Increase) in:	
Accounts receivable	12,048
Prepaid expense	(4,669)
Increase/(Decrease) in:	
Accounts payable	29,543
Accrued expenses	15,285
Net Cash Provided by Operating Activities	29,958

Cash Flows From Investing Activities:

Fixed asset additions	(146,392)
Sale of fixed assets	0
Net Cash Used by Investing Activities	(146,392)

Cash Flows From Financing Activities:

Proceeds from borrowings	0
Payments on borrowings	0
Net Cash Used by Financing Activities	0

Net Increase/(Decrease) in Cash and Cash Equivalents (116,434)

Cash Balance, December 31, 2012 173,308

Cash Balance, December 31, 2013 **\$ 56,874**

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest expense	\$ 0
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See accompanying notes and independent auditors' report.

Golden Rule Industries of Muskogee, Inc.
Schedule of Functional Expenses
December 31, 2013

	<u>Program Services</u>	<u>Administrative Services</u>	<u>Total</u>
Occupancy & maintenance	\$43,784	\$2,795	\$46,579
Equipment repair	7,830	500	8,330
Utilities	75,938	4,847	80,785
Grounds/lawn supplies	81	5	86
Custodial supplies	44,973	0	44,973
Administrative/office expense	33,444	2,135	35,579
Memberships & dues	4,102	262	4,364
Meales & board development	7,909	505	8,414
Telephone	13,336	851	14,187
Miscellaneous	21,257	1,357	22,614
Salaries/wages	793,335	125,638	918,973
Payroll taxes	78,195	12,729	90,924
Staff Training	3,818	244	4,062
Employee insurance	115,902	7,398	123,300
Vehicle expenses	27,771	1,773	29,544
Conference/meetings	8,088	516	8,604
Local travel/mileage	15,134	966	16,100
Contract Services	123,080	7,856	130,936
Mission development	8,891	568	9,459
Insurance	35,833	2,287	38,120
Totals	<u><u>\$1,462,702</u></u>	<u><u>\$173,231</u></u>	<u><u>\$1,635,933</u></u>

See accompanying notes and independent auditors' report.

1. SIGNIFICANT ACCOUNTING POLICIES

Golden Rule Industries of Muskogee, Inc. (Golden Rule) is incorporated under the laws of the state of Oklahoma. The Golden Rule is organized and operated for charitable and educational purposes in connection with rehabilitation of people with disabilities.

Basis of Accounting

The accompanying financial statements of Golden Rule have been prepared on an accrual basis of accounting.

Cash and Cash Equivalents

For the purpose of reporting cash flows, Golden Rule considers all cash in hand and cash in bank to be cash, and all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Inventory

Merchandise inventory is stated at \$1. Inventory items are received through public contributions and the cost of restoration is charged to expense in the period incurred.

Fixed Assets

Property and equipment, (Fixed Assets), are capitalized at their historical cost and depreciated over their useful lives using the straight line method. Expenditures for maintenance and repairs are charged to expenses as incurred. The capitalization threshold has been set at \$100.

When assets are retired or otherwise disposed of, the assets and related allowances for depreciation are eliminated from the accounts.

Compensated Absences

Golden Rule allows employees to take annual vacation leave after one year of full-time employment. The vacation payable is included as an accrued liability in the financial statements.

Income Taxes

Golden Rule is a non-profit organization generally exempt from income taxes under Internal Revenue Code Section 501(c)(3), and is not a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Golden Rule Industries of Muskogee, Inc.

2. CASH

At December 31, 2013, the cash balance was \$56,874, which is insured by the Federal Deposit Insurance Corporation. Golden Rule has no uninsured funds at December 31, 2013.

3. ACCOUNTS RECEIVABLE

As of December 31, 2013 Golden Rule's accounts receivable over 60 days was only 2.59% of the customer receivable balance.

Customer Accounts Receivable	\$	88,955
Other Receivables		<u>12,594</u>
Total Accounts Receivable	\$	<u><u>101,549</u></u>

4. FIXED ASSETS

The following is a summary of the property, plant and equipment accounts at December 31, 2013:

	Balance 12/31/12	Additions	Accumulated Depreciation	Balance 12/31/13
Land	\$111,000	\$0	\$0	\$111,000
Building/Improvements	2,034,510	62,924	(799,914)	1,297,520
Equipment	263,280	25,802	(242,756)	46,326
Vehicles	69,371	57,666	(64,561)	62,476
Totals	<u>\$2,478,161</u>	<u>\$146,392</u>	<u>(\$1,107,231)</u>	<u>\$1,517,322</u>

5. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. SUBSEQUENT EVENTS

The management of Golden Rule has evaluated subsequent events through the date of these financial statements and no events have occurred that will effect these financial statements. Golden accepted an offer of \$198,000 for the mini storage facility in January of 2014 and closed on the sale in February 2014.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Directors of
Golden Rule Industries of Muskogee, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Golden Rule Industries of Muskogee, Inc. (Golden Rule) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Golden Rule's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Golden Rule's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Golden Rule's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and no to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. According, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Clothier & Company CPA's".

Clothier & Company, CPA's, P.C.
September 4, 2014

GOLDEN RULE INDUSTRIES OF MUSKOGEE, INC.
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES-UNAUDITED
December 31, 2013

	Employment & Vocational Training Services	Sheltered Workshop	Community Intergrated Employment	Non DHS	Total
REVENUES					
Vocational Services:					
T2015U1	\$ 17,243	\$ 0	\$ 0	\$ 0	17,243
T2015U4	25,857	0	0	0	25,857
T2015TF	118,207	0	0	0	118,207
T2015	12,332	0	0	0	12,332
T2019TF	68,504	0	0	0	68,504
T2019TG	30,142	0	0	0	30,142
T2019U4	20,934	0	0	0	20,934
Community Integrated Emp. - CIE	0	0	43,580	0	43,580
Sheltered Workshop - SW	0	22,935	0	0	22,935
Custodial Contracts	0	0	0	449,198	449,198
Operations	0	10,691	0	196,763	207,454
Donated Goods	0	0	0	594,170	594,170
Contributions	0	0	0	3,128	3,128
Total Revenues	293,219	33,626	43,580	1,243,259	1,613,684
EXPENSES:					
Non-Administrative Labor:					
Support Staff Supervisors	86,345	43,097	0	102,337	231,779
Support Staff-Job Coaches	116,142	0	23,408	0	139,550
Working Partners-Janitorial Svs	21,783	2,876	10,049	24,229	58,937
Working Partners-Thrift Stores	32,559	1,752	0	293,458	327,769
Working Partners-Workshop	15,360	7,211	0	0	22,571
Payroll Taxes	27,028	5,455	3,322	55,118	90,924
Administrative/Other Labor	0	0	0	138,367	138,367
Program Costs:					
Repairs & Maintenance	0	0	0	51,614	51,614
Utilities	28,274	12,118	0	35,546	75,938
Grounds/Lawn Supplies	0	0	0	81	81
Custodial Supplies	0	0	0	44,973	44,973
Office Expense	0	0	0	33,444	33,444
Memberships & Dues	0	0	0	4,102	4,102
Meals & Board Development	0	0	0	7,909	7,909
Telephone	0	0	0	13,336	13,336
Miscellaneous	0	0	0	21,257	21,257
Staff Training	0	0	0	3,818	3,818
Employee Insurance	0	0	0	115,902	115,902
Vehicle Expense	9,502	4,816	897	12,556	27,771

Golden Rule Industries of Muskogee, Inc.
 Supplemental Schedule - Continued

	<u>EVT</u>	<u>SW</u>	<u>CIE</u>	<u>Non DHS</u>	<u>Total</u>
Local Travel/Mileage/Meetings	0	0	0	23,222	23,222
Contract Services	3,284	9,989	0	109,807	123,080
Mission Development	0	0	0	8,891	8,891
Insurance	0	0	0	35,833	35,833
Administrative Costs:					
Repairs & Maintenance	0	0	0	3,295	3,295
Utilities	0	0	0	4,847	4,847
Grounds/Lawn Supplies	0	0	0	5	5
Office Expense	0	0	0	2,135	2,135
Memberships & Dues	0	0	0	262	262
Meals & Board Development	0	0	0	505	505
Telephone	0	0	0	851	851
Miscellaneous	0	0	0	1,357	1,357
Staff Training	0	0	0	244	244
Employee Insurance	0	0	0	7,398	7,398
Vehicle Expense	0	0	0	1,773	1,773
Local Travel/Mileage/Meetings	0	0	0	1,482	1,482
Contract Services	0	0	0	7,856	7,856
Mission Development	0	0	0	568	568
Insurance	0	0	0	2,287	2,287
Depreciation	0	0	0	89,044	89,044
Total Expenses	<u>340,277</u>	<u>87,314</u>	<u>37,676</u>	<u>1,259,709</u>	<u>1,724,977</u>
Change in Net Assets	\$ <u>(47,058)</u>	\$ <u>(53,688)</u>	\$ <u>5,904</u>	\$ <u>(16,450)</u>	\$ <u>(111,293)</u>

Units of Service Provided	<u>EVT</u>	<u>SW</u>	<u>CIE</u>
T2015U1	3,668.68		
T2015U4	1,649.05		
T2015TF	12,575.24		
T2015	954.50		
T2019TF	5,462.80		
T2019TG	2,064.55		
T2019U4	1,217.11	Days	Hours
Total Units of Service Provided	<u>27,591.93</u>	<u>1,076.75</u>	<u>1,869.58</u>

Number of Individuals Served (unduplicated count)	<u>EVT</u>	<u>SW</u>	<u>CIE</u>
T2015U1	3		
T2015U4	2		
T2015TF	13		
T2015	2		
T2019TF	8		
T2019TG	2		
T2019U4	1		
Total #Individuals Served	<u>31</u>	<u>10</u>	<u>10</u>